

**Commonwealth of Massachusetts
Department of Telecommunications and Energy
Fitchburg Gas and Electric Light Company
Docket No. D.T.E. 02-24/25
Responses to the Attorney General's Sixth Set of Information Requests**

Request No. AG-6-24 (Electric)

Please provide copies of the January 2002 "Regulatory Focus" referred to on page 25 of Mr. Hadaway's testimony. Please also provide copies of all updates to that document.

Response:

Please see attached.

Person Responsible: Samuel C. Hadaway

Regulatory Study
January 24, 2002

MAJOR RATE CASE DECISIONS--JANUARY 2000-DECEMBER 2001 SUPPLEMENTAL STUDY

In conjunction with the preparation of the Regulatory Study entitled Major Rate Case Decisions--January 1990-December 2001, which will be distributed in early February 2002, RRA has prepared a chronological listing of all cases in that study for the years 2000 and 2001, by type of utility service. These listings, with key data concerning each case, appear on pages 7 through 12 of this Supplemental Study. Tables summarizing cases decided in the last 11 years appear on pages 2 and 3, and graphs summarizing the authorized equity returns in the last 11 years appear on pages 4 through 6. The average equity return authorized electric utilities in 2001 approximated 11.1%, down slightly from 11.4% in 2000. There were 16 electric equity return determinations in 2001 and 12 in 2000. The average return on equity authorized gas utilities approximated 11% in 2001, down from 11.4% in 2000. There were 7 gas cases that included an equity return determination in 2001 and 12 in 2000. For the telecommunications industry, there were no equity return determinations in 2001, and only two determinations in 2000, averaging 11.4%. In both 2000 and 2001, settlements that were silent on rate-of-return issues were signed in a significant number of energy and telecommunications cases.

In recent years there have been comparatively few equity return determinations. The reasons include: industry restructuring/intensifying competition; more efficient utility operations; technological improvements; relatively low inflation and interest rates; accelerated depreciation/amortization programs; the increased utilization of "black box" settlements; and, the growing use of performance or price-based regulation. As the number of equity return determinations decline, the average authorized return has less of a relationship to the return that the typical electric, gas, or telecommunications company has an opportunity to earn. In addition, electric industry restructuring in many states has led to the unbundling of rates, with commissions authorizing revenue requirement and return parameters for distribution operations only, further complicating data comparability.

The individual electric, gas, and telecommunications cases on pages 7 through 12 are listed with the decision date shown first, followed by the company name, the abbreviation for the state issuing the decision, the authorized rate of return (ROR) and return on equity (ROE), and the common equity component in the adopted capital structure. If the capital structure contained cost-free capital or investment tax credit balances at the overall rate of return, an asterisk follows the number in this column. Next we show the month and year in which the adopted test year ended, whether the commission utilized an average or a year-end rate base, and the amount of the permanent rate change authorized. We generally consider a case "major" if the requested rate change was \$5 million or greater, or the authorized rate change was at least \$3 million. A gas rate request that was filed in conjunction with a major electric request is reported as an individual case, regardless of size. The dollar amount represents the permanent rate change ordered at the time a decision was issued. In a few cases an interim rate change was previously ordered. Fuel adjustment clause rate changes are not reflected in this study.

(Text continued on page 6)

RRA

2.

Average Equity Returns Authorized January 1991 - December 2001

(Return Percent - No. of Observations)

Period		Electric Utilities	Gas Utilities	Telephone Utilities
1991	Full Year	12.55 (45)	12.46 (35)	12.89 (16)
1992	Full Year	12.09 (48)	12.01 (29)	12.27 (7)
1993	Full Year	11.41 (32)	11.35 (45)	11.83 (12)
1994	Full Year	11.34 (31)	11.35 (28)	11.81 (11)
1995	1st Quarter	11.96 (8)	-- (0)	-- (0)
	2nd Quarter	11.36 (9)	11.00 (1)	11.84 (4)
	3rd Quarter	11.33 (8)	11.07 (3)	12.50 (1)
	4th Quarter	11.53 (10)	11.56 (12)	12.25 (3)
1995	Full Year	11.55 (33)	11.43 (16)	12.08 (8)
1996	1st Quarter	11.28 (2)	11.45 (2)	11.70 (2)
	2nd Quarter	11.46 (9)	10.88 (6)	11.30 (1)
	3rd Quarter	10.76 (3)	11.25 (2)	12.25 (1)
	4th Quarter	11.58 (8)	11.32 (10)	-- (0)
1996	Full Year	11.39 (22)	11.19 (20)	11.74 (4)
1997	1st Quarter	11.30 (4)	11.31 (7)	11.80 (1)
	2nd Quarter	11.62 (3)	11.70 (1)	11.60 (1)
	3rd Quarter	12.00 (1)	12.00 (1)	11.70 (1)
	4th Quarter	11.11 (3)	10.99 (4)	11.35 (2)
1997	Full Year	11.40 (11)	11.29 (13)	11.56 (5)
1998	1st Quarter	11.31 (4)	-- (0)	11.30 (1)
	2nd Quarter	12.20 (1)	11.37 (3)	-- (0)
	3rd Quarter	11.80 (2)	11.41 (3)	-- (0)
	4th Quarter	11.83 (3)	11.69 (4)	-- (0)
1998	Full Year	11.66 (10)	11.51 (10)	11.30 (1)
1999	1st Quarter	10.58 (4)	10.82 (3)	13.00 (1)
	2nd Quarter	10.94 (4)	10.82 (3)	-- (0)
	3rd Quarter	10.63 (8)	-- (0)	-- (0)
	4th Quarter	11.08 (4)	10.33 (3)	-- (0)
1999	Full Year	10.77 (20)	10.66 (9)	13.00 (1)
2000	1st Quarter	11.06 (5)	10.71 (1)	11.50 (1)
	2nd Quarter	11.11 (2)	11.08 (4)	-- (0)
	3rd Quarter	11.68 (2)	11.33 (5)	11.25 (1)
	4th Quarter	12.08 (3)	12.50 (2)	-- (0)
2000	Full Year	11.43 (12)	11.39 (12)	11.38 (2)
2001	1st Quarter	11.38 (2)	11.16 (4)	-- (0)
	2nd Quarter	10.88 (2)	10.75 (1)	-- (0)
	3rd Quarter	10.78 (8)	-- (0)	-- (0)
	4th Quarter	11.66 (4)	10.65 (2)	-- (0)
2001	Full Year	11.08 (16)	10.95 (7)	-- (0)

Regulatory Study
April 10, 2002

MAJOR RATE CASE DECISIONS--JANUARY-MARCH 2002

For the first three months of 2002, the average electric equity return authorization by state commissions was 10.87% (5 determinations), down slightly from the 11.06% average in calendar-2001. The average gas equity return authorization for the first quarter of 2002 was 10.67% (three determinations), down slightly from the 10.95% average in calendar-2001. During the first quarter of 2002, there were no telecommunications equity return authorizations.

In recent years there have been relatively few equity return determinations. The reasons include: industry restructuring/intensifying competition; more efficient utility operations; technological improvements; relatively low inflation and interest rates; accelerated depreciation/amortization programs; the increased utilization of "black box" settlements; and, the growing use of performance, or price-based, regulation. As the number of equity return determinations has declined, the average authorized return now has less of a relationship to the return that the typical electric, gas, or telecommunications company has an opportunity to earn. In addition, electric industry restructuring in many states has led to the unbundling of rates, with commissions authorizing return and revenue requirement parameters for distribution operations only, further complicating data comparability. The tables included in this study are extensions of those contained in the January 24, 2002 Regulatory Study entitled *Major Rate Case Decisions--January 2000-December 2001--Supplemental Study*. Refer to that report for information concerning individual rate case decisions that were rendered in 2000 and 2001.

The table on page 2 shows annual average equity returns authorized since 1992, and by quarter since 1996, in major electric, gas, and telecommunications rate decisions, followed by the number of determinations during each period. The tables on page 3 present the composite industry data for items in the chronology of this and earlier reports, summarized annually since 1992, and quarterly for the most recent nine quarters. The individual electric, gas, and telecommunications cases decided in the first three months of 2002 are listed on page 4, with the decision date shown first, followed by the company name, the abbreviation for the state issuing the decision, the authorized rate of return (ROR), return on equity (ROE), and percentage of common equity in the adopted capital structure. Next we show the month and year in which the adopted test year ended, whether the commission utilized an average or a year-end rate base, and the amount of the permanent rate change authorized. The dollar amounts represent the permanent rate change ordered at the time decisions were rendered. A case is generally considered "major" if the rate change initially requested was \$5 million or greater, or the authorized rate change was at least \$3 million. Gas rate requests that are considered in conjunction with major electric requests are recorded and reported as individual cases, regardless of size.

2.

Average Equity Returns Authorized January 1992 - March 2002

(Return Percent - No. of Observations)

	<u>Period</u>	<u>Electric Utilities</u>	<u>Gas Utilities</u>	<u>Telephone Utilities</u>
1992	Full Year	12.09 (48)	12.01 (29)	12.27 (7)
1993	Full Year	11.41 (32)	11.35 (45)	11.83 (12)
1994	Full Year	11.34 (31)	11.35 (28)	11.81 (11)
1995	Full Year	11.55 (33)	11.43 (16)	12.08 (8)
1996	1st Quarter	11.28 (2)	11.45 (2)	11.70 (2)
	2nd Quarter	11.46 (9)	10.88 (6)	11.30 (1)
	3rd Quarter	10.76 (3)	11.25 (2)	12.25 (1)
	4th Quarter	11.58 (8)	11.32 (10)	— (0)
1996	Full Year	11.39 (22)	11.19 (20)	11.74 (4)
1997	1st Quarter	11.30 (4)	11.31 (7)	11.80 (1)
	2nd Quarter	11.62 (3)	11.70 (1)	11.60 (1)
	3rd Quarter	12.00 (1)	12.00 (1)	11.70 (1)
	4th Quarter	11.11 (3)	10.99 (4)	11.35 (2)
1997	Full Year	11.40 (11)	11.29 (13)	11.56 (5)
1998	1st Quarter	11.31 (4)	— (0)	11.30 (1)
	2nd Quarter	12.20 (1)	11.37 (3)	— (0)
	3rd Quarter	11.80 (2)	11.41 (3)	— (0)
	4th Quarter	11.83 (3)	11.69 (4)	— (0)
1998	Full Year	11.66 (10)	11.51 (10)	11.30 (1)
1999	1st Quarter	10.58 (4)	10.82 (3)	13.00 (1)
	2nd Quarter	10.94 (4)	10.82 (3)	— (0)
	3rd Quarter	10.63 (8)	— (0)	— (0)
	4th Quarter	11.08 (4)	10.33 (3)	— (0)
1999	Full Year	10.77 (20)	10.66 (9)	13.00 (1)
2000	1st Quarter	11.06 (5)	10.71 (1)	11.50 (1)
	2nd Quarter	11.11 (2)	11.08 (4)	— (0)
	3rd Quarter	11.68 (2)	11.33 (5)	11.25 (1)
	4th Quarter	12.08 (3)	12.50 (2)	— (0)
2000	Full Year	11.43 (12)	11.39 (12)	11.38 (2)
2001	1st Quarter	11.38 (2)	11.16 (4)	— (0)
	2nd Quarter	10.88 (2)	10.75 (1)	— (0)
	3rd Quarter	10.78 (8)	— (0)	— (0)
	4th Quarter	11.57 (4)	10.65 (2)	— (0)
2001	Full Year	11.08 (16)	10.95 (7)	— (0)
2002	1st Quarter	10.87 (5)	10.67 (3)	— (0)